Governor’s Consensus Revenue Estimating Panel Minutes
State House
Concord, NH
November 20, 2015

Members Present:

Meredith Telus, Governor’s Budget Director (Chair)
Carollynn Ward, Department of Revenue
Melissa Rollins, Department of Revenue
Gerard Murphy, State Comptroller, Department of Administrative Services
Dennis Delay, New Hampshire Center for Public Policy Studies
Greg Bird, New Hampshire Fiscal Policy Institute
Ross Gittell, Chancellor of the Community College System of New Hampshire

Absent: Jeff McLynch, New Hampshire Fiscal Policy Institute, **Dick Samuels**, McLane Law

3:30pm Chair opened the meeting.

Telus informed the panel that the Treasurer did not plan to issue a new GO Bond this year due to higher-than-usual liquidity levels, which are a result of a reduced rate of spend on capital projects, lowered spending during the CR, and increased revenues over prior year. The bond issue for next year will likely be higher as a result.

Melissa Rollins, of the DRA, presented charts showing returns, extensions, estimates, tax notice revenue, refunds, and finally net revenues for both Business and I&D. For business taxes (BET and BPT) it appears fiscal year-to-date (through November 20th) estimates are up 12% and net revenue was up 14%. The panel discussed that the pattern of business tax revenue was not always clear – particularly given the prior year’s growth (1.1% growth from SFY 2014 to 2015), but nearly 10% in SFY 2016 over 2015 year-to-date. Melissa shared that the tax policy changes of recent years had already taken effect – having been applied in tax year 2013 or earlier.

Ross Gittell shared a separate spreadsheet which pulled out areas of revenue where growth in SFY 2016 YTD was notably higher than the prior year. Ross stated in these instances, he took just one quarter of the YTD growth rate above SFY 2015 rate and added that to the SFY 2015 rate and applied it to SFY 2015 revenue for an adjusted SFY 2016 revenue estimate. For areas of revenue growth YTD below rate of growth in SFY 2015, the YTD 2016 growth rate was applied SFY 2015 revenue total to provide estimate for SFY 2016 revenue total. In the case of business taxes, this resulted in growth of 3.2%, which nets a SFY 2016 estimate of $585.6 - higher than the Committee of Conference estimates and the House Ways and Means revised estimates from September, but much more conservative than applying the 9.7% growth seen in revenues through October.

The panel agreed there may be some concern regarding the impact of the broader world economy, such as slowdown in China or concerns regarding security in the Middle East/Europe, but these probably will not have an impact in New Hampshire in SFY 2016. Given the September estimates are up, and the most recent jobs numbers it is reasonable to assume growth higher than budgeted. A growth of 3.2% is ballpark to GDP and seems reasonably conservative at this time.

Melissa, Meredith, Gerard, and Carolynn also discussed that tax amnesty would not impact the business tax growth assumption as it was accounted for separately in the budget, and assumes revenue of $16 million across all taxes.

The panel discussed each of the other major revenue sources and noted:

- Year-to-date net revenues for I&D is up eight percent. The Panel had some questions on the split in revenue between interest and dividends and held some discussion about whether there was any the likelihood greater dividends would be issued this year. Melissa and Gerard noted that while SFY 2015 had grown nearly 21% over SFY 2014, revenue for SFY 2014 was far below plan – possibly due to the "fiscal cliff." While Ross Gittell's spreadsheet left the revenue at the 10.4% growth for the current YTD, the panel agreed to lower the estimate somewhat to a more conservative 3.7% growth, with an estimate of $100 million.
- The panel determined Meals and Rooms and Tobacco tax revenues were likely to stay on current trajectory and were left at their respective anticipated growth levels of 7.2% and 1.9%.
- The panel discussed real estate transfer tax revenue, which was 25.2% above prior year-to-date as of the end of October, but had dropped to just 19.6% above prior year-to-date with data from the first 20 days of November. Also, it appears unlikely the revenue will meet plan for the month of November. Given the reduced revenue so far in the month of November, the panel agreed to leave estimates at the rather conservative 14.5% growth level in Ross Gittell's spreadsheet.
- There was a review of theories on why the Communication Services Tax is decreasing (increasing demographic using pre-paid cards, which are not always taxed by third parties; from people with both landlines and cell phones discontinuing the landline; or switching to VoIP landlines). The panel could not think of a reason to increase the estimate of Communications Services Tax above the currently projected decline of 9% below last year.
- Telus reported conversations with most agencies on agency-specific revenues indicated no changes were necessary, though Racing and Gaming projected a slight increase – up to $3 million. Also, although the current trend for the Liquor Commission is just $139, the Commission had indicated final revenues will be closer to the budget projection. There is some concern Liquor revenue could be impacted if the store Total Wine and Spirits opens more locations in Massachusetts, but there is currently only one store in Natick, so the Liquor Commission does not plan to see in impact at this time.
- Gerard Murphy shared "Other" revenue should be left at $71.9 until more is known. It is low at this time because the federal government has not yet set the Federal Indirect rate, and without that the State cannot receive federal indirect recoveries revenue. Once the rate is set, that revenue will come in. Also, the sale of the State's Laconia property was set up for this year, but is unlikely to come in before June and finally, a certification fee from the Secretary of State's office will be discontinued in January. On the other hand, Abandoned Property revenue traditionally comes in higher than budgeted. The panel agreed to leave the revenue estimate at $71.9 and revisit later in the year.

Dennis Delay suggested, and other panel members agreed, the panel should reconvene in January, with hopefully a clearer picture of real estate activity and December business tax estimate payments.

Melissa Rollins moved, Dennis Delay seconded, and the panel voted to accept the minutes of the September 3rd meeting.

The meeting adjourned at 4:40. There is no scheduled time for the next meeting.